

DOW CHEMICAL CO /DE/
Form 8-K/A
April 04, 2001

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K/A

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

**Date of Report (Date of earliest event reported):
February 6, 2001**

THE DOW CHEMICAL COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1-3433
(Commission file number)

38-1285128
(I.R.S. Employer Identification No.)

2030 DOW CENTER, MIDLAND, MICHIGAN 48674
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **517-636-1000**
Effective April 7, 2001, the area code for Midland, Michigan will change from 517 to 989.

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Item 7. Financial Statements and Exhibits.

This Current Report on Form 8-K/A is being filed as an amendment to the Current Report on Form 8-K filed by The Dow Chemical Company on February 20, 2001, describing the merger with Union Carbide Corporation.

- (a) Financial statements of businesses acquired.
The financial statements of businesses acquired are incorporated herein by reference to the financial statements, including notes to financial statements, contained in the Union Carbide Corporation Annual Report on Form 10-K for the year ended December 31, 2000, filed with the U.S. Securities and Exchange Commission on March 8, 2001.
- (b) Pro forma financial information.

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The following describes the pro forma effect of the merger of The Dow Chemical Company and Union Carbide Corporation as required pursuant to Article 11 of Regulation S-X.

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Unaudited Pro Forma Combined Condensed Financial Information

The following describes the pro forma effect of the merger on the historical condensed statements of income for the years ended December 31, 2000, 1999 and 1998 and the historical condensed balance sheet as of December 31, 2000 of The Dow Chemical Company and Union Carbide Corporation under the assumptions and adjustments described below.

The pro forma adjustments reflect the application of the pooling of interests method of accounting for a business combination. The unaudited pro forma combined condensed financial information and the accompanying notes should be read in conjunction with the historical financial statements and related notes of Union Carbide Corporation (incorporated by reference in this Current Report on Form 8-K/A) and The Dow Chemical Company.

The unaudited pro forma combined condensed financial information is provided for informational purposes only and does not purport to represent what the combined financial position and results of operations would actually have been had the merger and other pro forma adjustments in fact occurred at the dates indicated. The following unaudited pro forma combined condensed statements of income and unaudited pro forma combined condensed balance sheet illustrate the estimated effects of the merger as if that transaction had occurred for the statements of income as of January 1, 1998 and for the balance sheet as of December 31, 2000. The unaudited pro forma combined condensed statements of income do not include the impact of all the nonrecurring charges or credits directly attributable to the transaction.

For financial accounting purposes, the merger has been accounted for using the pooling of interests method of accounting. Accordingly, the recorded historical cost basis of the assets and liabilities of The Dow Chemical Company and Union Carbide Corporation have been carried forward to the combined company and the historical results of operations of the separate companies for all fiscal years before the merger have been combined. No adjustments have been made to the historical financial statements of The Dow Chemical Company or Union Carbide Corporation to conform the accounting policies of the combining companies as the nature and amounts of such adjustments are not significant. In addition, no adjustments have been made in the unaudited pro forma combined condensed financial information for transactions between The Dow Chemical Company and Union Carbide Corporation as such transactions were determined to be immaterial.

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Unaudited Pro Forma Combined Condensed Balance Sheet December 31, 2000 (in millions)

	The Dow Chemical Company	Union Carbide Corporation	Merger Pro Forma Adjustments	Combined Pro Forma
Assets				
Current Assets				
Cash and cash equivalents	\$ 215	\$ 63	\$ (51)(1)	\$ 227
Accounts and notes receivable	5,385	1,034		6,419
Inventories	3,463	750		4,213
Other current assets	197	329	(113)(2)	413
Total current assets	9,260	2,176	(164)	11,272

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	The Dow Chemical Company	Union Carbide Corporation	Merger Pro Forma Adjustments	Combined Pro Forma
Investments				
Investment in nonconsolidated affiliates	1,088	1,008		2,096
Other investments and noncurrent receivables	2,951	97	154 (2)	3,202
Total investments	4,039	1,105	154	5,298
Net Property	9,190	4,521		13,711
Total Other Assets	5,156	544	(67)(1) (41)(2)	5,592
Total Assets	\$ 27,645	\$ 8,346	\$ (118)	\$ 35,873

Liabilities and Stockholders' Equity

Current Liabilities				
Notes payable and long-term debt due within one year	\$ 1,659	\$ 1,178	\$	2,837
Accounts payable	3,799	342	\$ 428 (2)	4,569
Other current liabilities	2,415	780	(428)(2)	2,767
Total current liabilities	7,873	2,300		10,173
Long-Term Debt	4,865	1,748		6,613
Other Noncurrent Liabilities				
Deferred income tax liabilities noncurrent	887		278 (2)	1,165
Pension and other postretirement benefits noncurrent	1,746	434	58 (2)	2,238
Other noncurrent obligations	2,178	1,170	(336)(2)	3,012
Total other noncurrent liabilities	4,811	1,604		6,415
Minority Interest in Subsidiaries	410	40		450
Preferred Securities of Subsidiary	500			500
Stockholders' Equity				
Common stock	2,453	159	(159)(3)	2,453
Additional paid-in capital	16	217	(233)(3)	
Unearned ESOP shares	(53)	(50)		(103)
Retained earnings	14,071	3,572	(4,968)(3)	12,557
			(118)(1)	
Accumulated other comprehensive loss	(336)	(224)		(560)
Treasury stock at cost	(6,965)	(1,020)	5,360 (3)	(2,625)

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	The Dow Chemical Company	Union Carbide Corporation	Merger Pro Forma Adjustments	Combined Pro Forma
Net stockholders' equity	9,186	2,654	(118)	11,722
Total Liabilities and Stockholders' Equity	\$ 27,645	\$ 8,346	\$ (118)	\$ 35,873

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Unaudited Pro Forma Combined Condensed Statement of Income (5)
For the Year Ended December 31, 2000
(in millions, except per share data)

	The Dow Chemical Company	Union Carbide Corporation	Merger Pro Forma Adjustments	Combined Pro Forma
Net Sales	\$ 23,008	\$ 6,526		\$ 29,534
Cost of sales	18,262	5,531	\$ 338 (2)	24,131
Research and development expenses	892	152	75 (2)	1,119
Selling, general and administrative expenses	1,582	247	(4)(2)	1,825
Amortization of intangibles	125		14 (2)	139
Depreciation and amortization		423	(423)(2)	
Purchased in-process research and development charges	6			6
Insurance and finance company operations, pretax income	68		17 (2)	85
Partnership loss		(40)	40 (2)	
Equity in earnings of nonconsolidated affiliates	271	123	(40)(2)	354
Sundry income net	309	87	(44)(2)	352
Earnings before Interest, Income Taxes and Minority Interests	2,789	343	(27)	3,105
Interest income	119		27 (2)	146
Interest expense and amortization of debt discount	507	158		665
Income before Income Taxes and Minority Interests	2,401	185		2,586
Provision for income taxes	823	16		839
Minority interests' share in income	65	7		72
Net Income Available for Common Stockholders	\$ 1,513	\$ 162		\$ 1,675

Share Data

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	The Dow Chemical Company	Union Carbide Corporation	Merger Pro Forma Adjustments	Combined Pro Forma
Earnings per common share basic	\$ 2.24	\$ 1.20	(4)	\$ 1.88
Earnings per common share diluted	\$ 2.22	\$ 1.18	(4)	\$ 1.85
Weighted-average common shares outstanding basic	676.0	134.8	(4)	893.2
Weighted-average common shares outstanding diluted	683.0	137.5	(4)	904.5

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Unaudited Pro Forma Combined Condensed Statement of Income (5)
For the Year Ended December 31, 1999
(in millions, except per share data)

	The Dow Chemical Company	Union Carbide Corporation	Merger Pro Forma Adjustments	Combined Pro Forma
Net Sales	\$ 19,989	\$ 5,870		\$ 25,859
Cost of sales	15,362	4,609	\$ 329 (2)	20,300
Research and development expenses	845	154	76 (2)	1,075
Selling, general and administrative expenses	1,530	257	(11)(2)	1,776
Amortization of intangibles	146		14 (2)	160
Depreciation and amortization		408	(408)(2)	
Purchased in-process research and development charges	6			6
Special charges	94			94
Insurance and finance company operations, pretax income	127		23 (2)	150
Partnership income		11	(11)(2)	
Equity in earnings of nonconsolidated affiliates	82	2	11 (2)	95
Sundry income net	261	102	(34)(2)	329
Earnings before Interest, Income Taxes and Minority Interests	2,476	557	(11)	3,022
Interest income	121		11 (2)	132
Interest expense and amortization of debt discount	431	133		564
Income before Income Taxes and Minority Interests	2,166	424		2,590
Provision for income taxes	766	108		874
Minority interests' share in income	69	5		74
Preferred stock dividends	5			5

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	The Dow Chemical Company	Union Carbide Corporation	Merger Pro Forma Adjustments	Combined Pro Forma
Income before Cumulative Effect of Change in Accounting Principle	1,326	311		1,637
Cumulative effect of change in accounting principle		(20)		(20)
Net Income Available for Common Stockholders	\$ 1,326	\$ 291		\$ 1,617
Share Data				
Earnings before cumulative effect of change in accounting principle per common share basic	\$ 2.01	\$ 2.33	(4)	\$ 1.87
Earnings per common share basic	\$ 2.01	\$ 2.18	(4)	\$ 1.85
Earnings before cumulative effect of change in accounting principle per common share diluted	\$ 1.98	\$ 2.27	(4)	\$ 1.84
Earnings per common share diluted	\$ 1.98	\$ 2.13	(4)	\$ 1.82
Weighted-average common shares outstanding basic	660.2	133.3	(4)	874.9
Weighted-average common shares outstanding diluted	673.3	136.7	(4)	893.5

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Unaudited Pro Forma Combined Condensed Statement of Income (5)
For the Year Ended December 31, 1998
(in millions, except per share data)

	The Dow Chemical Company	Union Carbide Corporation	Merger Pro Forma Adjustments	Combined Pro Forma
Net Sales	\$ 19,442	\$ 5,659		\$ 25,101
Cost of sales	14,800	4,294	\$ 301 (2)	19,395
Research and development expenses	807	143	76 (2)	1,026
Selling, general and administrative expenses	1,666	304	(6)(2)	1,964
Amortization of intangibles	88		18 (2)	106
Depreciation and amortization		389	(389)(2)	
Purchased in-process research and development charges	349			349
Special charges	458			458
Insurance and finance company operations, pretax income	112		12 (2)	124
Partnership income		33	(33)(2)	
Equity in earnings (losses) of nonconsolidated affiliates	64	(66)	33 (2)	31
Sundry income net	916	241	(22)(2)	1,135

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	The Dow Chemical Company	Union Carbide Corporation	Merger Pro Forma Adjustments	Combined Pro Forma
Earnings before Interest, Income Taxes and Minority Interests	2,366	737	(10)	3,093
Interest income	139		10 (2)	149
Interest expense and amortization of debt discount	493	114		607
Income before Income Taxes and Minority Interests	2,012	623		2,635
Provision for income taxes	685	217		902
Minority interests' share in income	17	3		20
Preferred stock dividends	6			6
Net Income Available for Common Stockholders	\$ 1,304	\$ 403		\$ 1,707
Share Data				
Earnings per common share basic	\$ 1.94	\$ 2.98	(4)	\$ 1.92
Earnings per common share diluted	\$ 1.92	\$ 2.91	(4)	\$ 1.89
Weighted-average common shares outstanding basic	670.6	135.0	(4)	888.1
Weighted-average common shares outstanding diluted	681.8	138.4	(4)	904.8

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Notes to Unaudited Pro Forma Combined Condensed Financial Information

(in millions, except per share amounts)

- (1) The Dow Chemical Company (Dow) and Union Carbide Corporation (Union Carbide) estimate they will incur direct transaction costs of approximately \$118 (pretax) associated with the merger. These costs consist primarily of investment banking, legal and accounting fees. At December 31, 2000, \$67 had been incurred and deferred. The unaudited pro forma combined condensed balance sheet reflects the transaction costs as if they had been paid in total as of the end of 2000.
- (2) Adjustments reflect a reclassification of Union Carbide's reported amounts of depreciation; certain selling, general and administrative expenses; amortization of intangibles; partnership income; interest income; insurance and finance company operations pretax income; prepaid expenses; noncurrent receivables; accounts payable; pension and other post retirement liabilities; and deferred tax liabilities to conform to Dow's presentation.
- (3) Adjustments for the issuance of 218.4 million shares of Dow common stock to effect the exchange of Union Carbide common stock at the exchange ratio of 1.611 shares of Dow common stock for each share of Union Carbide common stock, and for the retirement of Union Carbide common stock held in treasury. For accounting purposes, the Dow common shares held in treasury issued to effect the pooling of interest are first treated as though the shares of stock are retired and then reissued. The cost basis of the retired Dow common stock held in treasury is \$4,340 and the cost basis of Union Carbide treasury stock as of December 31, 2000 is \$1,020. The cost of the retired treasury stock in excess of the additional paid-in capital balance is recorded as an adjustment to retained earnings.
- (4) The pro forma combined per share amounts and weighted-average common shares outstanding reflect the combined weighted-average of Dow and Union Carbide common shares outstanding for all periods presented, after adjusting the number of Union Carbide

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common shares to reflect the exchange ratio of 1.611 shares of Dow common stock for each share of Union Carbide common stock. Share data has also been adjusted to reflect the three-for-one split of Dow's common stock on June 16, 2000.

(5)

As noted in Dow's Form S-4 registration statement filed with the U.S. Securities and Exchange Commission (SEC) on October 5, 1999, and Dow's Annual Report on Form 10-K filed with the SEC on March 9, 2001, it is expected that the combined company will incur a one-time charge for severance and other restructuring costs. On March 29, 2001, Dow's management made certain decisions relative to employment levels, duplicate facilities and excess capacity resulting from the merger. The magnitude of these costs is currently being determined and will be included in the financial results for the first quarter of 2001. These costs were not reflected in the unaudited pro forma combined condensed statements of income.

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(c)

Exhibits.

See Exhibit Index below for exhibits filed with the Current Report on Form 8-K/A

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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE DOW CHEMICAL COMPANY

Registrant

/s/ FRANK H. BROD

Frank H. Brod
Vice President and Controller

Date: April 4, 2001

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Exhibit No.

23 Independent Auditors' Consent.

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Unaudited Pro Forma Combined Condensed Financial Information

Unaudited Pro Forma Combined Condensed Balance Sheet December 31, 2000 (in millions)

Unaudited Pro Forma Combined Condensed Statement of Income (5) For the Year Ended December 31, 2000 (in millions, except per share data)

Unaudited Pro Forma Combined Condensed Statement of Income (5) For the Year Ended December 31, 1999 (in millions, except per share data)

Unaudited Pro Forma Combined Condensed Statement of Income (5) For the Year Ended December 31, 1998 (in millions, except per share data)

Notes to Unaudited Pro Forma Combined Condensed Financial Information (in millions, except per share amounts)

Signature

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